

## Table of Contents

- Russia Aiming For WTO, EU Membership
- China WTO Accession Complicated By Balance of Trade
- MAI Agreement Delayed
- Clinton's Fast Track Agenda To Side-Step Labor,  
Environment
- Mexico-Mercosur Move Closer to FTA
- Brazil, Venezuela Say U.S. Dragging Its Feet On Gasoline  
Imports
- Events/Resources

### **RUSSIA AIMING FOR WTO, EU MEMBERSHIP**

Russia will make a formal bid to join the World Trade Organization in April. The announcement was made March 21 after the Yeltsin-Clinton summit meeting in Helsinki, Finland, where U.S. President Bill Clinton and Russian President Boris Yeltsin agreed to work towards having Russia join the WTO by 1998. The U.S. and Russia agreed on a number of joint economic initiatives at the summit, including securing most favored nation status for Russia on a permanent and unconditional basis, and aggressively pursuing Russia's accession to the Organization for Economic Cooperation & Development. To better position itself for membership in the WTO, Russia will lower its tariff rates on goods by 10% in 1998 to be in line with WTO requirements. Russian President Yeltsin also announced that he wants Russia to join the EU, but that idea is not likely to bear fruit any time soon according to European Commission officials.

In a related story, the EU warned Slovakia against concluding a free trade agreement (FTA) with Russia, lest it jeopardize Slovakia's future EU membership. Slovakia, currently an associate member of the EU, applied for full membership in 1995. Since the EU does not have an FTA with Russia, Slovakia would have to renounce any such agreement it makes with Russia on becoming a full member of the EU. Sir Leon Brittan, External Trade Commissioner of the European Commission, said that if Russia gains membership to the WTO, an initiative the EU supports, then Slovakia and Russia would be able to regulate their trade relationship within WTO parameters, which would more easily conform to EU common commercial policy.

"Clinton Pledges Support For Russian WTO Accession in 1998," INSIDE U.S. TRADE, March 28, 1997;  
"Russia Promises Action As It Aims For WTO," WALL STREET JOURNAL-EUROPE, March 24, 1997; "EU Warns Slovakia On Free Trade Pact With Russia," REUTERS, March 21, 1997.

### **CHINA WTO ACCESSION COMPLICATED BY BALANCE OF TRADE**

The U.S. trade deficit with China increased 41% in January to \$3.72 billion, making U.S. President Bill Clinton's case for China's accession to the WTO by July harder to make. The Clinton Administration faces

stiff opposition from Congress over China's WTO accession, and the widening trade deficit only aggravates the situation. The Administration, battling reports of China's possible illegal involvement with Democratic Party fund raising, is forced to tread lightly regarding China. "There's a reluctance now by the Clinton Administration to do anything that will look concessionary to China," one trade analyst observed. A U.S. Trade official sees the trade deficit as the most compelling reason for supporting China's accession to the WTO, by bringing the country into a rules-based trading system. "We're concerned about the trade deficit," the official said, "but even more important is to address the systemic barriers to trade with China, and the right WTO accession package could be helpful." In a related development, a bill was introduced in the U.S. Senate the week of March 17 calling for an "Emergency Commission to End the Trade Deficit," to develop a trade policy which would eliminate the trade deficit within 10 years. The bill is aimed particularly at dealing with trade barriers in China and Japan.

The EU is also urging China to provide improved market access as part of its WTO bid. China's current offer still remains far short of WTO standards, according to EU Commission officials, especially in areas such as banking, insurance, securities trading, shipping, telecommunications and news services. The proposal, one EU official said, is "certainly not commensurate with the weight of China in the world economy, nor commensurate with economic realities in China." Meanwhile, WTO Director-General Renato Ruggiero said that he is optimistic that while there are still issues to be resolved. "It seems to me that we are approaching the final stages of negotiations" with China.

"Clinton Gets Double Dose of Trouble From Trade Data," WALL STREET JOURNAL EUROPE, March 21, 1997; "U.S. Senators Eye Emergency Panel To End Trade Deficit;" "EU Urges China To Open Market To Foreign Services," KYODO NEWS INTERNATIONAL, March 20, 1997; "China Defends U.S. Trade Gap," INTERNATIONAL HERALD TRIBUNE, March 22-23, 1997; "Beijing's Trade Offer Disappoints EU," INTERNATIONAL HERALD TRIBUNE, March 21, 1997.

### **MAI AGREEMENT DELAYED**

The Multilateral Agreement on Investment (MAI) will not be ready for its May deadline as hoped, and will now most likely not be ready for endorsement consideration until the end of the year. Frans Engering, chairman of the Organization for Economic Cooperation & Development (OECD) talks, said last week that "We have to recommend that the [OECD] ministers give us a little more time...It's a bit unrealistic, having seen the list of reservations that have come in since February, to say that we would be finished in time." The "reservations" brought to the table from OECD member countries represent areas which members want excluded from the MAI, including air and water transport and energy. Negotiators are still working out what kind of dispute settlement mechanisms to employ, and how to sanction countries who fail to meet the terms of the agreement. The latter point involves the sensitive issue of possibly imposing fines on countries. The OECD is hoping that developing countries will join the pact as well, to demonstrate that the MAI is not only for industrialized nations. Engering stated that he hoped the delay would be beneficial in securing their participation, and that "[W]e want to show from the very beginning that this is free-standing, that this is not for the OECD, and that it is not a rich man's club," he said. The MAI must be endorsed by the OECD ministers, who meet once a year in May. The missed deadline this spring means that endorsement will not be possible until the 1998 ministerial meeting. Engering, who is a senior official in the Dutch Ministry of Economics, warned that OECD members should take care to use the delay constructively so that the negotiation does not lose its current momentum. "There can be a loss of momentum, a loss of commitment [or] new problems in the economy or political setting," he said. "You expose yourself to whole new risks."

"OECD Investment Accord Delayed," REUTER, March 26, 1997; "Chairman Of OECD Investment Talks Predicts Delay In Finalizing MAI," INSIDE U.S. TRADE, March 28, 1997.

### **CLINTON'S FAST TRACK AGENDA TO SIDE-STEP LABOR, ENVIRONMENT**

In a confidential memo written for Undersecretary of Commerce for International Trade Stuart Eizenstat, the Clinton Administration's strategy for seeking fast-track negotiating authority was revealed. Fast-track negotiating authority allows the White House to speed trade agreements through Congress by disallowing any amendments to be made by Congress to an agreement. The memo states that the Administration will exclude any reference to the linkage of trade to labor and the environment from its fast-track legislation proposal. Instead, the president will send an accompanying statement with the legislation, which will identify negotiating objectives, thereby avoiding a fight on Capitol Hill over the issue. According to the memo, "This approach not only provides the Administration with maximum negotiating flexibility, it also avoids the inevitable fight on negotiating objectives for labor and environment." The memo goes on to note certain opposition from the House Democratic leadership, who have made clear their intentions that new fast-track authority must contain strong labor and environment provisions in a trade agreement. According to the memo, the Treasury Department is preparing a response to labor groups who have criticized recent trade agreements for not including provisions for exchange rates, while the State and Commerce Departments are looking for details on possible lost commercial opportunities due to third-country trade agreements.

"Confidential Memo Reveals Administration Strategy On Fast Track," INSIDE U.S. TRADE, March 28, 1997.

### **MEXICO-MERCOSUR MOVE CLOSER TO FTA**

After two years of talking, Mexico and the four Mercosur countries- Argentina, Brazil, Paraguay and Uruguay, moved closer to a free trade agreement after meeting in Mexico City the week of March 17. Trade representatives from the five countries met to discuss access to markets, product origin norms, sanitation concerns related to agricultural products, and safeguards and dispute resolution mechanisms. Eduardo Solis, coordinator of Hemispheric Negotiations for Mexico's Trade Secretariat, said that right now Mexico's goal was to sign an economic agreement with Mercosur that would provide a unified system of preferred tariffs, but that this goal was also an essential step toward concluding a free trade agreement. The countries will meet again April 28 to exchange lists of products for preferential trade status. Negotiators hope to conclude the economic agreement by September. According to a Mexican trade official, Mexico's strategy in securing an economic and possibly free trade agreement with Mercosur is "to displace some trade relationships with Europe in order to substitute Mexican products." The EU is Mercosur's chief trading partner.

"Mexico-Mercosur Free Trade Understanding?" SUNS, March 21, 1997.

### **BRAZIL, VENEZUELA SAY U.S. DRAGGING ITS FEET ON GASOLINE IMPORTS**

Brazil and Venezuela requested on March 20 that the U.S. enforce as soon as possible the July 1996 WTO decision requiring the U.S. to change its legislation on gasoline imports. The U.S. told the WTO Dispute Resolution Panel that its Environmental Protection Agency is reviewing its options for carrying out the WTO body's decision, and that new federal rules on gasoline imports will be published "in the near future." The WTO decision came after Brazil and Venezuela accused the U.S. of requiring stricter

emissions standards on imports than are required of domestically produced gasoline, and that such requirements were in violation of WTO rules. The U.S. and Venezuela agreed in July 1996 that the WTO decision would be implemented within 15 months.

"OMC Gasolina: Brazil y Venezuela Piden Urgencia a EEUU en Caso de Gasolina," EFE, March 20, 1997.

## **EVENTS/RESOURCES**

NGO Briefing on Trade and Development: April 10, 1997, Geneva. Sponsored by the International Center for Trade and Sustainable Development. For more information contact Ana Maria Kleymeyer, ICTSD; Ph: +41/22/979/9492; Fax: +41/22/979/9093; E-mail: ictsd@iprolink.ch.

WTO/CTE Symposium on Trade and Environment: May 20-21 1997, Geneva. Sponsored by the Committee on Trade Environment of the World Trade Organization. The focus will be on market access. For more information contact Scott Vaughan, WTO; Ph: +41/22/739/5091; Fax: +41/22/739/5620.

Global Development Finance Report: World Bank report on private capital flows to developing countries. Summary: US\$40 US; Full Report: US\$300. Also available in electronic forms. Available from The World Bank Publications Order Desk, PO Box 7247-8619, Philadelphia, PA 19170-8619 USA. Ph: +01/202/473/1155; Fax: +01/703/661/1501; Internet: [www.worldbank.org](http://www.worldbank.org).

Trade and Environment: An Update on The Issues: Briefing Paper No. 35. An update of earlier Briefing Paper 23, Trade and Environment: A Brief Guide to the Issues. By Duncan Brack, Senior Research Fellow, Royal Institute of International Affairs. Both publications available from The Royal Institute of International Affairs, Chatham House, 10 St. James's Square, London SW1Y 4LE. Ph: +44/0171/957/5700; Fax: +44/0171/957/5710; Internet: <http://www.riia.org>.

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